

REPORT
MARRERO-RAGUSA VOLUNTEER
FIRE COMPANY NO 3
DECEMBER 31, 2011 AND 2010

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JUN 20 2012**

**MARRERO-RAGUSA VOLUNTEER
FIRE COMPANY, NO 3**

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DECEMBER 31, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

May 11, 2012

Board of Directors
Marrero-Ragusa Volunteer Fire
Company, No. 3
Marrero, Louisiana

We have audited the accompanying statements of financial position of Marrero-Ragusa Volunteer Fire Company No. 3 (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marrero-Ragusa Volunteer Fire Company No. 3 as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2012 on our consideration of Marrero-Ragusa Volunteer Fire Company No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO 3
 STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u> (restated)
CURRENT ASSETS		
Cash (Notes 1 and 2)	\$ 67,713	\$ 76,320
Cash Equivalents (Note 3)	73,545	153,315
Accounts receivable	<u>1,464</u>	<u>1,464</u>
 Total current assets	 142,722	 231,099
 Property and equipment, net of accumulated depreciation (Note 4)	 <u>426,168</u>	 <u>460,350</u>
 TOTAL ASSETS	 <u>\$ 568,890</u>	 <u>\$ 691,449</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accrued payroll and tax liability	\$ 50,426	\$ 39,418
Accounts payable	8,995	5,941
Accrued interest payable	5,725	627
Compensated absences (Note 6)	24,425	11,300
Capital lease obligations (Note 7)	<u>8,352</u>	<u>6,981</u>
 Total current liabilities	 <u>97,923</u>	 <u>64,267</u>
 LONG-TERM LIABILITIES		
Capital lease obligations, net of current portion (Note 7)	<u>19,303</u>	<u>-</u>
 Total long-term liabilities	 <u>19,303</u>	 <u>-</u>
 Total liabilities	 <u>117,226</u>	 <u>64,267</u>
 Unrestricted net assets	 <u>451,664</u>	 <u>627,182</u>
 Total net assets	 <u>451,664</u>	 <u>627,182</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 568,890</u>	 <u>\$ 691,449</u>

See accompanying notes.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO 3
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u> (restated)
UNRESTRICTED NET ASSETS		
REVENUE		
Contract revenue-		
Firefighting contract	\$ 1,440,000	\$ 1,430,000
Jefferson Parish insurance rebate	44,799	47,489
Council District - allocations	21,129	-
Operating Budget - Ad valorem	-	210,000
Interest	160	240
Rent (Note 13)	13,530	13,200
Gain on sale of assets	75,000	1,850
Other	1,033	12,342
Donations	6,667	-
Social funds	3,028	3,851
Total revenue	<u>1,605,346</u>	<u>1,718,972</u>
EXPENSES		
Program services - firefighting (Pages 5 and 6)	1,647,437	1,487,710
Supporting services - management and general (Pages 5 and 6)	<u>133,427</u>	<u>138,518</u>
Total expenses	<u>1,780,864</u>	<u>1,626,228</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(175,518)	92,744
Net assets - beginning of year	<u>627,182</u>	<u>534,438</u>
NET ASSETS - END OF YEAR	<u>\$ 451,664</u>	<u>\$ 627,182</u>

See accompanying notes

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO 3
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Firefighting</u>	<u>Management and General</u>	<u>Total</u>
EXPENSES			
Accounting and legal	\$ -	\$ 11,327	\$ 11,327
Advertising	30	-	30
Arson investigation	2,414	-	2,414
Bank charges	-	1,521	1,521
Contract work	-	-	-
Convention expenses	-	-	-
Depreciation	103,274	-	103,274
Dues and subscriptions	-	3,278	3,278
Equipment	40,659	1,328	41,987
Fire prevention	2,187	-	2,187
Fire station supplies	36,445	-	36,445
Fuel	23,809	-	23,809
Gear	8,390	-	8,390
Golf tournament	333	-	333
Insurance	279,529	-	279,529
Medical expenses	-	16,513	16,513
Meetings	-	8,318	8,318
Miscellaneous expenses	-	3,833	3,833
Office expense	-	7,951	7,951
Payroll taxes	74,211	3,264	77,475
Repairs - station and vehicles	98,240	-	98,240
Retirement contribution	30,320	1,155	31,475
Salaries and wages	930,314	35,270	965,584
Social expenses	-	5,823	5,823
Taxes and licenses	1,148	-	1,148
Telephone and utilities	-	33,846	33,846
Training and travel	8,374	-	8,374
Uniforms	7,760	-	7,760
	<u>7,760</u>	<u>-</u>	<u>7,760</u>
TOTAL	\$ <u>1,647,437</u>	\$ <u>133,427</u>	\$ <u>1,780,864</u>

See accompanying notes.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO 3
 STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Firefighting</u> (restated)	<u>Management and General</u> (restated)	<u>Total</u> (restated)
EXPENSES:			
Accounting and legal	\$ -	\$ 9,949	\$ 9,949
Advertising	-	-	-
Arson investigation	531	-	531
Bank charges	-	1,705	1,705
Contract work	-	1,020	1,020
Convention expenses	4,630	-	4,630
Depreciation	132,925	-	132,925
Dues and subscriptions	-	8,060	8,060
Equipment	6,426	1,155	7,581
Fire prevention	1,995	-	1,995
Fire station supplies	40,371	-	40,371
Fuel	16,300	-	16,300
Gear	3,159	-	3,159
Golf tournament	2,489	-	2,489
Insurance	263,224	-	263,224
Medical expenses	-	6,171	6,171
Meetings	-	16,025	16,025
Miscellaneous expense	-	2,987	2,987
Office expense	-	9,456	9,456
Payroll taxes	67,825	3,879	71,704
Repairs - station and vehicles	80,655	-	80,655
Retirement contribution	26,665	564	27,229
Salaries and wages	828,876	36,448	865,324
Social expenses	-	2,291	2,291
Taxes and licenses	948	-	948
Telephone and utilities	-	38,808	38,808
Training and travel	9,319	-	9,319
Uniforms	1,372	-	1,372
	<u> </u>	<u> </u>	<u> </u>
TOTAL	\$ <u><u>1,487,710</u></u>	\$ <u><u>138,518</u></u>	\$ <u><u>1,626,228</u></u>

See accompanying notes

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO 3
 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u> (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (175,507)	\$ 126,119
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	103,274	132,925
Increase in accounts receivable	-	(364)
Increase (decrease) in accrued payroll and tax liabilities	11,008	(14,650)
Increase in accounts payable	3,054	5,941
Increase (decrease) in accrued interest payable	5,087	(1,202)
Increase in compensated absences	13,125	5,555
Net cash provided (used) by operating activities	<u>(39,959)</u>	<u>254,324</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of interest in Louisiana Asset Management Pool (LAMP)	(142)	(150,222)
Gross proceeds from sale of interest in LAMP	79,912	2,500
Acquisition of equipment	<u>(69,092)</u>	<u>(74,124)</u>
Net cash provided (used) by investing activities	<u>10,678</u>	<u>(221,846)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	38,782	-
Capital lease payments	<u>(18,108)</u>	<u>(6,406)</u>
Net cash provided (used) by financing activities	<u>20,674</u>	<u>(6,406)</u>
NET INCREASE (DECREASE) IN CASH	(8,607)	26,072
Cash at beginning of year	<u>76,320</u>	<u>50,248</u>
CASH AT END OF YEAR	<u>\$ 67,713</u>	<u>\$ 76,320</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ <u>-</u>	\$ <u>-</u>
Taxes paid	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

ORGANIZATION

Marrero-Ragusa Volunteer Fire Company No. 3 (the Company) was established in 1954 to provide firefighting and rescue service to a designated area of the Eighth Fire District on the West Bank of Jefferson Parish, Louisiana (a separate entity). In addition, the Company provides fire code inspections for businesses within its district, as well as firefighting and rescue training for its members. The Company maintains three fire stations and has twenty-four paid employees and approximately twenty-five volunteers. The Company's main source of revenue is a fire protection contract with Jefferson Parish effective for the period June 1, 2004 through May 31, 2014. The contract was adopted by the Jefferson Parish Council on May 25, 2004 by resolution number 103561 and amended on July 27, 2011 by resolution number 117162.

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

A summary of the Company's significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Accounting and Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The Company follows FASB ASC 958-205, *Financial Statements of Nonprofit Organizations*. Under FASB ASC 958-205, the Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Company is required to present a statement of cash flows. As of December 31, 2011 and 2010, the fire company had only unrestricted net assets.

The statement of activities presents expenses of the Company's operations functionally between program service for firefighting, administrative and general and social. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Contributions

The Company adopted FASB ASC 605-10, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 605-10, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions.

FASB ASC 605-10 provides that the value of donated services is to be recognized in financial statements if the services require specialized skills, are provided by persons possessing those skills, and the services would be purchased if they were not donated. The Company's volunteer firefighters undergo extensive specialized training, and the firefighting services would have to be purchased by the Company or Jefferson Parish if the services were not provided by volunteers.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes.

The Company is exempt from income taxes under Internal Revenue Code Section 501(c)(4) as a nonprofit organization and, accordingly the financial statements do not reflect a provision for income taxes

The Company's federal Return of Organization Exempt from Income Tax (990) for 2011, 2010, 2009, and 2008 are subject to examination by the IRS, generally for three years after they were filed.

Cash and Cash Equivalents.

For purposes of the Statement of Cash Flows, Marrero-Ragusa considers cash in operating bank accounts, demand deposits, cash on hand, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents

Deposits

The Company's bank deposits were fully covered by federal depository insurance and securities pledged by the financial institution and held in the name of the Company.

Property and Equipment.

Acquisitions of property and equipment in excess of \$5,000 and expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at acquisition cost, or estimated historical cost if acquisition cost is not available. Depreciation is provided for in amounts sufficient to relate the cost of depreciable property and equipment to operations over their estimated useful lives using the straight-line method. Estimated useful lives of property and equipment are as follows:

Automobiles	5 years
Furniture and fixtures	3 - 10 years
Firefighting and rescue equipment	5 - 12 years
Buildings	35 years
Improvements	7 - 15 years

Fair Value of Financial Instruments

FASB ASC 825-10, *Disclosures about Fair Value of Financial Instruments*, requires disclosure of the fair value of certain financial instruments. The book value of cash and cash equivalents, accounts receivable and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of these instruments

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH

At December 31, 2011 and 2010, the Company maintained cash balances in four local banks. The bank balances totaled \$69,282 and \$95,274 and the book balances totaled \$67,713 and \$76,320, respectively. The book balances include petty cash in the amount of \$2,268 and \$2,268 for the years ended December 31, 2011 and 2010, respectively.

Bank balances totaling \$69,282 were insured by federal deposit insurance. Private fundraising monies are segregated from other funds and the bank and book account balances maintained by the Company are \$4,666 and \$3,461, respectively, and are included in the above totals.

3. CASH EQUIVALENTS.

At December 31, 2011 and 2010, the Company holds cash equivalents with a fair value of \$73,545 and \$153,315, respectively. These funds are managed by Louisiana Asset Management Pool (LAMP), held by a custodial bank and are in the name of the fund.

In accordance with GASB Codification Section 150.129, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.129 because the investment is in the pool of funds and therefore not evidenced by securities that exist in the physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities. LAMP is rated AAAM by Standard and Poor's.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

3 CASH EQUIVALENTS (Continued)

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards and any other political subdivisions of the State to invest in "Investment Grade (A-1/P-1) commercial paper of domestic United States corporations". Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than ninety days and consists of no securities with maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based upon quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the State Treasurer and the Board of Directors. LAMP is not registered with the SEC as an investment company.

4 PROPERTY AND EQUIPMENT

Below is a summary of the Company's property and equipment at December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Land	\$ 127,000	\$ 127,000
Parking lot	35,400	35,400
Buildings	365,679	365,679
Building improvements	112,473	112,473
Vehicles	902,626	1,074,757
Equipment	371,424	346,839
Communication equipment	130,246	130,246
Furniture and fixtures	<u>57,489</u>	<u>57,489</u>
	2,102,337	2,249,883
Less accumulated depreciation	<u>(1,676,169)</u>	<u>(1,789,533)</u>
Net property and equipment	<u>\$ 426,168</u>	<u>\$ 460,350</u>

Depreciation totaled \$103,274 and \$132,925 for the years ended December 31, 2011 and 2010, respectively.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

5 DONATED SERVICES

Amounts have not been reflected in the financial statements for donated services because the value of these services was not readily determinable. However, a substantial number of volunteers have donated significant amounts of their time in the Company's program services

All members of the Board of Directors serve without compensation

6 ACCRUED ABSENCES

The Company's paid operators accrue vacation at varying rates based on their term of service. At December 31, 2011 and 2010, seventeen and sixteen employees, respectively, had accumulated a total of \$24,425 and \$11,300, respectively, of unused vacation

7 CAPITAL LEASE OBLIGATIONS.

On May 19, 2008, the Company executed a financing lease-purchase agreement for a 2008 Ford F-250. The lease obligation is amortized requiring four annual payments of \$7,608 due May 19 of each year and includes an interest charge of 8.98% per annum. The final lease payment was made during the year ended December 31, 2011

On January 5, 2011, the Company executed another financing lease-purchase agreement for a 2011 Ford Expedition. The lease obligation is amortized requiring four annual payments of \$11,126.67 due January 5 of each year and includes an interest charge of 10.03% per annum.

The total cost and accumulated depreciation recorded for the equipment financed by capital leases was \$504,655 and \$676,786, and \$456,253 and \$624,045, respectively, at December 31, 2011 and 2010.

Future value of minimum lease payments is as follows at December 31, 2011.

2012	\$ 11,127
2013	11,127
2014	11,126
Less amount representing interest	<u>(5,725)</u>
Present value of net minimum lease payments	27,655
Less current portion due within one year	<u>(8,352)</u>
Long-term capital lease obligation	<u>\$ 19,303</u>

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

8 EMPLOYEE BENEFIT PLANS

On January 1, 1997, the Company established a 401(k) retirement plan for all eligible employees. Eligible employees must contribute up to 2% of their gross salary to be eligible for employer matching contributions. The maximum contribution may not exceed federal tax law limitations, which may be adjusted each year based on cost of living calculations. The maximum contribution by the Company is limited by federal tax law, and employer match is 100% of employee deferrals. In addition, the Company is allowed to make a discretionary profit sharing contribution for its eligible employees. Currently, the Company will make an employer matching contribution up to 4% for all eligible employees. At December 31, 2011 and 2010, the Company contributed a total of \$31,475 and \$27,229, respectively, to the plan.

9. EXPENSES PAID BY OTHERS

The full-time firefighters of the Company receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. The amount of pay received varies based on years of service. As these supplemental state funds are paid directly to the firefighters, and do not pass through the Company, they are not included in these financial statements.

10 SOCIAL FUNDS

The Company maintains separate funds derived from social activities. During the years ended December 31, 2011 and 2010, the Company collected \$3,028 and \$3,851, respectively, from all social activities and recognized expenses totaling \$5,823 and \$2,291, respectively.

11. ECONOMIC DEPENDENCY, FIRE PROTECTION CONTRACT

Substantially all of the Company's public support is derived from funds provided by Jefferson Parish. The Company has a contract with Jefferson Parish, effective June 1, 2004 through May 31, 2014, under which the Company receives one-third of certain ad valorem taxes assessed within the Eighth Fire Protection District of Jefferson Parish, as well as additional funding from sales taxes and fire insurance rebates.

Management is not aware of any plans on the part of Jefferson Parish to terminate the contract.

12 FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

13 RENTAL INCOME/GROUND LEASE AGREEMENT

On April 15, 2001, the Company signed a ground lease agreement with Trinity Wireless Towers, Inc. for the construction of a wireless communication transmissions and reception facility on its premises. The Trinity Wireless Towers, Inc. agreement requires rent to be paid in equal monthly installments of \$1,100. The initial terms of the ground lease are for a five-year period commencing on the thirteenth day following the completion of the facility. The agreement has automatic renewal terms for ten successive five-year periods, with a 10% increase, unless written termination is provided by the Company within thirty days prior to expiration of the term or any renewal term. In September 2011, the monthly rent increased by 10% to \$1,210. The Company is responsible for providing twenty-four hour seven days a week access to the premises and the maintenance of any existing access roadway to the facility.

During 2011 and 2010, the Company received \$13,530 and \$13,200, respectively, under this agreement.

14. DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated through May 11, 2012, which is the date the financial statements were available to be issued.

15 RESTATEMENT.

The accompanying financial statements for 2010 have been restated to correct an error in accrued payroll and tax liabilities. The effect of the restatement was to decrease net income for 2010 by \$33,375 and increase accrued payroll and tax liabilities by \$33,375.

16 RECLASSIFICATION

Certain 2010 amounts have been reclassified to conform with 2011 financial statement presentation.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

May 11, 2012

To the Board of Directors
Marrero-Ragusa Volunteer Fire
Company No. 3
Marrero, Louisiana

We have audited the financial statements of Marrero-Ragusa Volunteer Fire Company No. 3 (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated May 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Marrero-Ragusa Volunteer Fire Company No. 3's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies, 11-01, 11-02 and 11-03, described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marrero-Ragusa Volunteer Fire Company No. 3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as 11-04 and 11-05.

Marrero-Ragusa Volunteer Fire Company No. 3's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Company's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY, NO 3
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

SUMMARY OF AUDITOR'S RESULTS

1. The opinion issued on the financial statements of Marrero-Ragusa Volunteer Fire Company for the year ended December 31, 2011 was unqualified.
2. Internal Control
 - Material weaknesses None noted
 - Significant deficiencies 11-01, 11-02 and 11-03
3. Compliance and Other Matters
 - Noncompliance material to financial statements 11-04 and 11-05

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES

11-01 Journal Entries

Condition and Criteria

Journal entries were required for financial statement misstatements related to payroll, leases payable and property and equipment accounts. Generally accepted auditing standards now consider year-end adjusting entries prepared by the auditor to be a significant deficiency in internal control. This is a repeat finding.

Cause

Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. The Company has relied on its auditor to identify and correct such financial statement misstatements.

Recommendation

As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies under SAS 115.

Management's Response

We will continue to provide additional training for our employee performing accounting duties. In addition, we will implement procedures that require knowledgeable personnel to reconcile the general ledger accounts to subsidiary schedules where applicable.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY, NO 3
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

11-02 Preparation of Financial Statements

Condition and Criteria

Internally, the Company does not have controls in place for preparation of monthly financial statements with related footnotes. As is common in small organizations, the Company has chosen to engage the auditor to prepare the Company's annual financial statements. This condition is intentional by management, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

Cause

Statement of Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response

In response to the finding, management feels that it is a prudent use of public funds to engage the auditor to prepare the Company's annual financial reports and footnotes. We therefore agree with the auditor's recommendation that no corrective action is necessary.

11-03 Employee Credit Card Use

Condition and Criteria

The Company did not follow controls in place for proper oversight of credit card usage. The Chief and some board members possess company credit cards. Louisiana Revised Statute 39:704 states that the records of the Company shall clearly reflect the objects and purposes for which the proceeds of the tax are used. Meals purchased by credit card are required by State law to have receipts attached with the business purpose clearly defined, including the names of the persons participating. Several of the meals receipts tested lacked support regarding the business purpose or the persons participating.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY, NO 3
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

11-03 Employee Credit Card Use (Continued)

Cause

The Company did not follow controls in place in some instances to monitor the use of company credit cards.

Recommendation

We feel this issue needs to be corrected by management as it pertains to Louisiana State Law. We recommend that the Company review their policies and procedures for monitoring the usage of credit cards including a procedure for retaining proper documentation for purchases that the Company considers to be business expenses

Management's Response

Management will address all policies and procedures regarding controls for monitoring the usage of credit cards. Additionally, management has emphasized that proper documentation is required for all expenses. It is anticipated that this condition will be resolved in the subsequent year's audit

11-04 Employee Compensation

Condition and Criteria

During the year, the Company paid compensation for Christmas to employees. According to Louisiana Revenue and Expenditure Restriction Laws (Louisiana Revised Statute 39:704) dictates how money received from special tax levies can be spent by quasi-public entities. One of the provisions of State Legal Compliance states that entities cannot pay an employee bonus to public employees. Paying employee bonuses for public employees is a violation of State Laws

Cause

The Company does not believe employees are public employees

Recommendation

We feel that the Company should not pay bonuses to any employees deemed to be public employees

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY, NO 3
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

11-04 Employee Compensation (Continued)

Management's Response

The Company will no longer designate amounts paid an employee as employee bonus. The payment was for length of service. Management feels that amounts paid were for service time earned. None of these employees are public employees.

11-05 Cash Payments Made

Condition and Criteria

During the audit, it was noted that the Company paid employees in the form of cash. This practice could result in a potential liability to the Company for payroll taxes or for not issuing IRS Form 1099.

Cause

The Company paid cash for compensation to fire fighters for their time in working at two stations which were polling stations.

Recommendation

We recommend that the Company include the hours worked on Election Day on the employees' payroll checks the following week so that all taxes will be properly withheld and paid. Management should issue IRS Form 1099 when required.

Management's Response

All compensation will be paid through the payroll system.

The Company receives funds from the State for utilizing the station as polling places. These funds were distributed to employees for their services rendered. The Company will no longer pay cash for these services.

**MARRERO-RAGUSA VOLUNTEER FIRE COMPANY, NO 3
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011**

SUMMARY OF PRIOR YEAR FINDINGS

10-01 Journal Entries

In the prior year it was noted that journal entries were required to reconcile payroll and related accounts between the general ledger and 941s. This comment is repeated in 2011 in a similar comment as 11-01.

10-02 Preparation of Financial Statements

In the prior year, it was noted that the Company does not have controls in place for proper oversight of its financial reporting and for preparation of financial statements. This comment is repeated in 2011 in a similar comment as 11-02.

10-03 Employee Credit Card Use

In the prior year, it was noted that the Company did not follow controls in place in all instances for proper oversight of credit card usage. Some of the meals charged lacked support regarding the business purpose or the persons participating. This comment is repeated in 2011 in a similar comment as 11-03.